



# ROLE OF MSME SECTOR TOWARDS EMPLOYMENT GENERATION IN INDIA: A CASE STUDY OF JHARKHAND

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## ABSTRACT

MSME has a huge impact on job creation, economic growth, and poverty alleviation through employment generation, the Micro, Small, and Medium Enterprises (MSME) sector is crucial for Indian economy considering the massive youth population ready for employment and requirement of less capital for investment. This sector is quite diverse consisting of group of businesses, including various microenterprises, along with small businesses, and medium-sized businesses. This provides the ingredient for advancing inclusive development, entrepreneurship, and innovation in the economy. It is ready to face the challenge of low capital and high labour intensive techniques available in India. The last decade, MSMEs in Jharkhand have also witnessed significant strides toward industrialization. About 15.90 lakh industrial units (15.79 micro scale and 0.11 small and medium sizes) with a total investment of Rs 3089.20 crores and 64530 people have been set up and identified by the Department of Industries in the state. This study aims to highlight the significance of MSME for policymakers, researchers, and stakeholders interested in promoting the growth and development and looking for an answer to the problem of unemployment and poverty in Jharkhand by analysing the existing state of the industry and investigating its potential for creating jobs. The outcome of this study can help in formulating evidence-based policy choices and programmes that encourage equitable economic growth and lower the nation's unemployment rate and deal with the problem of poverty. According to the Ministry of MSME 2023, this industry employs more than 110 million people after agriculture. Hence it is evident that MSME sector is essential for job creation in both rural and semi-urban areas where the agricultural sector fails to ensure the job security throughout the year.

**KEYWORDS:** Unemployment, Poverty, MSME, Job Creation, Employment generation, Industrialization

## INTRODUCTION

The MSME Act came into effect on October 2, 2006 helping in creating the Micro, Small, and Medium Enterprise sector. Apart from the MSMED Act, 2006, the government of India has also adopted various measures to save and develop the rich traditional industries of our country, such as coir, Khadi, and silk, as well as its small-scale service and business enterprises. These activities require attention as they are not directly related to agriculture. But these Small and medium-sized businesses (MSMEs) play a pivotal role in the creation of jobs and growth and advancement of the economy as it not only helps in increasing industrial output but also constitutes the important portion of exports from the country. It is equally important for both rural and urban areas of the country. It also forms the base for creating opportunities for self employment and livelihood generation which is very crucial to reduce unemployment rate in the country. The importance of this sector has also been recognised by the Indian government and hence various measures have been adopted to strengthen this sector. Despite of enormous its potential, there are several challenges faced by this sector that hinders its expansion and restricts it to grow to its full potential such as poor and limited access to financing, poor infrastructure, complex regulations etc. In Jharkhand this sector is making remarkable progress in the areas like manufacturing, precision engineering design, engineering and metal base, textiles, chemical and associated industries, and food processing sectors.

### Factors Influencing Employment Generation in MSMEs:

Various factors have been found as booster in employment generation within the MSME sector:

- Market Demand and Globalization:** All those MSMEs that are able to identify and cater to market

demand have been recognised as growing and expanding fast in their operations and creating employment opportunities. Globalization has also widened the channels for MSMEs that helps them to participate in international arena and expand trade and increase the access to larger markets, and contributing employment growth.

**Technological Advancements:** Adoption of new and advanced technologies and also opting for digitalization will definitely multiply the productivity and competitiveness of MSMEs, which will cause increase in employment opportunities.

**Access to Finance:** Limited or poor access to formal finance remains a major obstacle for MSMEs in India. With the betterment and ease of credit facility the functioning of MSMEs will certainly improve and help in creation of new jobs.

**Skilled Labor Availability:** The skill and vocational training will help in generating the employability of the labor and will be helpful in developing the skill gap and enhance employment opportunities in the sector.

### Current Status of MSMEs in India

The detail of MSME enterprises in Indian states is shown in the table below.

#### State wise Number of MSMEs Enterprises

State	Estimated number of Enterprises (Number in Lakhs)			
	Micro	Small	Medium	MSME
Andhra Pradesh	33.27	0.13	0.00	33.87
Arunachal Pradesh	00.23	0.00	0.00	00.23
Assam	12.10	0.04	0.00	12.14
Bihar	34.42	0.04	0.00	34.46
Chhattisgarh	08.45	0.03	0.00	08.48
Delhi	09.25	0.11	0.00	9.36

Goa	00.70	0.00	0.00	00.7
Gujarat	32.67	0.50	0.00	33.16
Haryana	09.53	0.17	0.00	09.7
Himachal Pradesh	03.86	0.06	0.00	03.92
Jammu & Kashmir	07.06	0.03	0.00	07.09
Jharkhand	15.79	0.11	0.00	15.90
Karnataka	38.24	0.10	0.00	38.34
Kerala	23.58	0.21	0.00	23.79
Madhya Pradesh	26.42	0.31	0.01	26.74
Maharashtra	47.60	0.17	0.00	47.78
Manipur	01.80	0.00	0.00	01.80
Meghalaya	01.12	0.00	0.00	01.12
Mizoram	00.35	0.00	0.00	00.35
Nagaland	00.91	0.00	0.00	00.91
Odisha	19.80	0.04	0.00	19.84
Punjab	14.57	0.08	0.00	14.65
Rajasthan	26.66	0.20	0.01	26.87
Sikkim	00.26	0.00	0.00	00.26
Tamil Nadu	49.27	0.21	0.00	49.48
Telangana	25.94	0.10	0.01	26.05
Tripura	02.10	0.01	0.00	2.11
Uttar Pradesh	89.64	0.36	0.00	89.99
Uttarakhand	04.14	0.02	0.00	4.17
West Bengal	88.41	0.26	0.01	88.67
Andaman and Nicobar Islands	00.19	0.00	0.00	00.19
Chandigarh	00.56	0.00	0.00	00.56
Dadra & Nagar Haveli	00.15	0.01	0.00	00.16
Daman & Diu	00.08	0.00	0.00	00.08
Lakshadweep	00.02	0.00	0.00	00.02
Puducherry	00.96	0.00	0.00	00.96
	630.10	3.31	0.05	633.9

Courtesy: Ministry of MSMEs, Govt. of India, NSS 73rd Round report

Uttar Pradesh has the highest i.e 89 lakh MSMEs, followed by West Bengal with 88 lakhs, Tamil Nadu with 49.5 lakhs, and Maharashtra with 47.78 lakhs. Jharkhand has 15.90 lakh enterprises, which is just 2.5 percent of the country's total number of firms. Even though it covers a very small proportion of total enterprises in the state but it supports the prospect of establishment of new firms under the MSME programme that definitely has huge potential for generating employment which can help in reducing regional disparities. Further we can see that, little enterprises account for 99 percent of the 15.90 lakh registered firms. Only 10,000 small firms make up the total.

The District Enterprises Centre (DIC) was established specifically to promote industrialisation, especially in the state's micro and small scale enterprises, and also to implement various developmental programmes of state and federal government to promote MSME. The table below displays the contribution of various MSME units to employment and investment in the state.

#### MSME Units Set Up in (Jharkhand under DIC) India

Category	No of units Set Up	Investment in (Lakhs)	Employment
Paper and paper products	202	4029.00	1268
Electrical and electronics	507	10016.45	5261
Rubber and plastics	148	9381.57	2409
Livestock and leather	68	346.75	259
Food and allied	2210	41969.96	7333
Engineering and metal based	593	35294.64	10566
Textiles	940	4114.15	3026
Chemical and allied	60	2790.00	619
Glass and ceramics	163	3044.50	1100
Food allied	137	3793.42	1081
Repairing and services	2622	9503.40	9194
Miscellaneous Manufacturing	1168	97506.10	14286
Other	1400	87130.51	8128

Courtesy: Department of Industry, Government of Jharkhand

#### Current Scenario of Employment Generation by MSME Sector

#### Estimated Employment in the MSME Sector (Activity Wise)

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

Source: MSME Annual Report 2022-23 The total number of jobs created by the MSME sector during 2015-16 was approximately 11.10 crore (or 111 million) as per the NSS 73rd round data, It shows that MSME has been playing a significant role in the creation of jobs and there was an even distribution of jobs across various sectors of MSME like in the manufacturing sector, the MSMEs generated around 360.41 lakh jobs (36.04 million), in the non-captive electricity generation and transmission sector, it created 0.07 lakh jobs (7,000).In the trade sector within the MSMEs it created 387.18 lakh jobs (38.72 million) that is crucial for economic growth and creating livelihood opportunities in the country. The other services sector, also within the MSME domain also created 362.82 lakh jobs (36.28 million).

#### Distribution of Employment on the basis of Area and Gender

The micro sector enterprises, that is constituted of about 630.52 lakh enterprises, is crucial form the point of view of responsible for providing employment to approximately 1076.19 lakh individuals that is 97% of the total employment within the sector. The small sector in which there are 3.31 lakh enterprises, and it employs 31.95 lakh individuals, that makes up 2.88% of the total employment in the MSME sector. The medium sector is also important as it accounts for 0.05 lakh enterprises, which employs 1.75 lakh individuals, that contributes to 0.16% of the total employment in the MSME sector.

#### Distribution of Employment by type of Enterprise in Rural and Urban Area/Gender

(Numbers in lakh)				
Sector	Female	Male	Total	Share (%)
Rural	137.50	360.15	497.78	45
Urban	127.42	484.54	612.10	55
Total	264.92	844.68	1109.89	100
Share (%)	24	76	100	

Source : MSME Annual Report 2022-23

#### Gender and State wise Employment in the MSME Sector

MSMEs is important as it helps in creating employment at a cheaper cost and they are also helping in industrialising the rural and undeveloped areas which will also help in reducing gender inequalities, leading to a more equitable distribution of income and wealth.

The table shows the breakdown of employment in the MSME sector.

#### Gender and State wise Employment in the MSME Sector

State/UT	Employment (Number in Lakhs)		
	Female	Male	Total
Andhra Pradesh	21.01	34.98	55.99
Arunachal Pradesh	00.12	0.29	0.41
Assam	01.78	16.37	18.15
Bihar	04.79	48.26	53.07
Chhattisgarh	04.07	12.79	16.86
Delhi	02.41	20.59	23.00
Goa	00.41	1.20	1.60
Gujarat	13.71	47.44	61.16

Haryana	<b>02.78</b>	<b>16.27</b>	<b>19.06</b>
<b>Himachal Pradesh</b>	01.13	5.29	6.43
<b>Jammu &amp; Kashmir</b>	01.50	9.37	10.88
<b>Jharkhand</b>	<b>05.58</b>	<b>19.34</b>	<b>24.92</b>
<b>Karnataka</b>	19.73	51.11	70.84
<b>Kerala</b>	13.78	30.85	44.64
<b>Madhya Pradesh</b>	10.13	38.61	48.80
<b>Maharashtra</b>	17.97	72.77	90.77
<b>Manipur</b>	01.40	1.52	2.92
<b>Meghalaya</b>	00.72	1.19	1.91
<b>Mizoram</b>	00.28	0.34	0.62
<b>Nagaland</b>	00.59	1.18	1.77
<b>Odisha</b>	08.37	24.87	33.26
<b>Punjab</b>	04.24	20.55	24.80
<b>Rajasthan</b>	08.01	38.31	46.33
<b>Sikkim</b>	00.14	0.31	0.45
<b>Tamil Nadu</b>	32.27	64.45	96.73
<b>Telangana</b>	15.24	24.91	40.16
<b>Tripura</b>	00.44	2.51	2.95
<b>Uttar Pradesh</b>	27.27	137.92	165.26
<b>Uttarakhand</b>	00.69	5.91	6.60
<b>West Bengal</b>	43.51	91.95	135.52
<b>Andaman and Nicobar Islands</b>	00.10	0.29	0.39
<b>Chandigarh</b>	00.12	1.17	1.29
<b>Dadra &amp; Nagar Haveli</b>	00.07	0.29	0.36
<b>Daman &amp; Diu</b>	00.02	0.12	0.14
<b>Lakshadweep</b>	00.01	0.02	0.03
<b>Puducherry</b>	00.57	1.27	1.84
Courtesy: Ministry of MSMEs, Govt. of India, NSS 73rd Round	<b>264.96</b>	<b>7341.68</b>	<b>1109.91</b>

The total employment created by MSMEs in India is 14.9%. Once again Uttar Pradesh has the highest 27.27 which was, followed by West Bengal with 12.2 percent and Tamil Nadu with 8.7 percent. The MSME industry employs in total 34.91 lakh people in Jharkhand, and it accounts for total female employment of about 22.36 percent of overall employment, that is lower than the national average of 23.86 percent.

### Major Employment Related Schemes of MSME Sector

#### 1. The PMEGP (Prime Minister Employment Generation Programme)

This is a credit-linked subsidy scheme supported by the Government of India which aims to provide financial assistance to aspiring entrepreneurs in setting up the new projects. This scheme offers beneficiaries a subsidy ranging from 15% to 35% of the project cost, which is provided by the government and this is implemented at a national level, the PMEGP is overseen by the Khadi and Village Industries Commission (KVIC), an organization under the Ministry of Micro, Small and Medium Enterprises. This scheme plays a crucial role in promoting entrepreneurship and generating employment opportunities. The PMEGP scheme underscores the government's commitment to fostering the expansion of micro, small, and medium enterprises (MSMEs) in India. It encourages entrepreneurship, enhances economic expansion and development, and it also contributes to the overall prosperity of the nation.

#### 2. Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGTMSE):

This credit is important as it provides collateral-free credit facilities to micro and small enterprises which encourages financial institutions to extend loans to MSMEs by providing a credit guarantee cover. By facilitating access to credit, the scheme helps in the establishment and growth of enterprises that helps in employment generation.

#### 3. Skill Development Programs:

Through this programme the MSME Ministry also focuses on skill development initiatives in order to enhance the employability of individuals. As per this programme various Skill development programs provide vocational training and capacity building in various sectors, that enables individuals to acquire relevant skills for employment or entrepreneurship.

#### 4. Technology Upgradation and Support to MSMEs

#### (TEQUP):

This program aims to upgrade technology and enhance the competitiveness of MSMEs which is done by providing financial assistance for the adoption of new technologies, modernization of machinery, and improving the quality of products and processes. This programme enables the MSME to generate employment opportunity and expansion and growth of nation.

#### 5. Cluster Development Programs:

The MSME Ministry also promotes the development of industrial clusters and MSME clusters throughout the nation. These programs help in providing technical support, and improving infrastructure in designated clusters. Promoting the growth of MSMEs through these clusters, helps in facilitating job creation and promoting overall industrial development in the country. The MSME sector in India faces several challenges limited access to finance, inadequate infrastructure, regulatory complexities and informal nature of MSMEs. The efficiency and impact of MSME can be improved by facilitating Access to Credit, improving Infrastructure, streamlining regulations and promoting skill development initiatives.

### CONCLUSION

The study highlights that MSME sector is quite significant from the point of view generating employment and dealing with the problem of poverty. It also highlights the role of MSME in supporting the expansion and growth of the economy which is based on the growth and resilience contributing to the labour intensive pattern of development at the time of huge youth population burden. Certain challenges such as access to finance, limited technological capabilities, regulatory complexities, and market competition hinders the growth of MSME sector. To tackle these challenges various policy measures can be recommended like, there should be a focus on improving access to finance for MSMEs, by simplifying loan procedures. Various measures should be taken to enhance the technological capabilities of MSMEs through skill development programs and technology upgradation initiatives. Apart from this provision of ease of doing business and creating an environment that may reduce the regulatory complexities will also promote MSMEs which can be achieved through streamlining licensing procedures, reducing compliance burdens, and providing incentives for MSMEs. The most important aspect is to develop Collaboration between the government, industry-academia interface can be very fruitful in generating employment through MSME sector.

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